



DEPARTMENT OF THE TREASURY

Monitoring Availability and Affordability of Auto Insurance; Assessing Potential Evolution of the Auto Insurance Market

AGENCY: Federal Insurance Office, Departmental Offices, Department of the Treasury

ACTION: Request for Information

SUMMARY: The Federal Insurance Office (FIO) of the U.S. Department of the Treasury (Treasury) is issuing this Request for Information (RFI) to solicit input regarding FIO's future work relating to monitoring the availability and affordability of automobile (auto) insurance. Building upon its prior work, FIO will undertake a holistic analysis of the domestic personal auto insurance business, focusing on: 1) affordability of coverage and disparities in premium pricing, with particular attention to traditionally-underserved communities and the impact of non-driving factors; and 2) market evolution and structural shifts in the conduct of the business, including the effects of technology and the use of big data, as well as changes related to the COVID-19 pandemic. Additionally, FIO seeks feedback on updating its prior work on auto insurance, including its January 2017 *Study on the Affordability of Personal Automobile Insurance* (2017 FIO Affordability Study).

DATES: Submit written comments on or before [INSERT DATE THAT IS 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: Submit comments electronically through the Federal eRulemaking Portal at [http:// www.regulations.gov](http://www.regulations.gov), in accordance with the instructions on that site, or by mail to the Federal Insurance Office, Attn: Alex Hart, Room 1410 MT, Department of the Treasury, 1500 Pennsylvania Avenue NW, Washington, DC 20220. Because postal mail may be subject to processing delays, it is recommended that comments be submitted electronically. If submitting comments by mail, please submit an original version with two copies. Comments should be captioned "FIO Auto Insurance Study." In general, Treasury will post all comments to

www.regulations.gov without change, including any business or personal information provided such as names, addresses, email addresses, or telephone numbers. All comments, including attachments and other supporting materials, are part of the public record and subject to public disclosure. You should submit only information that you wish to make available publicly.

FOR FURTHER INFORMATION CONTACT: From the Federal Insurance Office: Alex Hart, Senior Insurance Regulatory Policy Analyst, 202–213-6850, Alex.Hart@Treasury.gov; Daniel McKnight, Policy Advisor, 202-631-1979, Daniel.Mcknight@treasury.gov, or Andrew Shaw, Senior Policy Advisor, (202) 304–4532, Andrew.Shaw2@Treasury.gov. Persons who have difficulty hearing or speaking may access these numbers via TTY by calling the toll-free Federal Relay Service at (800) 877–8339.

SUPPLEMENTARY INFORMATION:

I. Background

The Personal Auto Insurance Market

The U.S. personal auto insurance sector is a significant part of the U.S. economy, both in terms of its aggregate size and its impact on individual consumers and their economic well-being. In 2020, this line of business accounted for approximately \$247 billion of direct premiums written, or about 35% of the domestic property & casualty (P&C) insurance sector's total premiums of \$711 billion. Auto ownership is associated with greater opportunity for economic well-being, such as better access to employment opportunities.¹ All U.S. states except for New Hampshire require a driver or owner of a motor vehicle to have auto liability insurance or financial security, which may be satisfied by auto liability insurance, when registering or

¹ FIO's previous work on auto insurance affordability discusses these issues in greater depth. See Federal Insurance Office, U.S. Department of the Treasury, *Study on the Affordability of Automobile Insurance* (2017), https://home.treasury.gov/system/files/311/FINAL%20Auto%20Affordability%20Study_web.pdf.

while operating a motor vehicle. However, in 2019 nearly 13% of drivers in the United States were uninsured.²

The domestic personal auto insurance business has been evolving throughout the 21st century. New consumer preferences and recent technological innovations—including the increased use of big data and artificial intelligence—have led to changes in nearly all aspects of the business, including availability of products, pricing, underwriting, distribution, claims adjudication and processing, and risk management. Additionally, developments in the sharing economy (such as ride-sharing and delivery services) and automation are likely to further reshape the business in the future. The COVID-19 pandemic accelerated some of these changes, such as an increased consumer preference for usage-based insurance and telematics, which could permanently alter the sector.

FIO’s Previous Work on Auto Insurance

Title V of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established FIO within Treasury and authorizes FIO to, among other things, monitor the extent to which traditionally underserved communities and consumers, minorities, and low- and moderate-income (LMI) persons have access to affordable insurance products regarding all lines of insurance other than health insurance.³

In 2014 and 2015, FIO issued two public notices soliciting comments relating to monitoring the affordability of personal auto insurance for traditionally underserved communities and consumers, minorities, and LMI persons (collectively, “Affected Persons”).⁴

² Insurance Research Council, “One in Eight Drivers Uninsured,” news release, March 21, 2021, <https://www.insurance-research.org/sites/default/files/downloads/UM%20NR%20032221.pdf>.

³ FIO Act, 31 U.S.C. 313(a),(c)(1)(B). Title V also designates the Secretary as advisor to the President on “major domestic and international prudential policy issues in connection with all lines of insurance except health insurance.” Id. at sec. 321(a)(9).

⁴ 79 FR 19,969 (Apr. 10, 2014), 80 FR 38,277 (Jul. 2, 2015).

FIO then issued a notice in 2016 detailing a proposed methodology for examining the affordability of personal auto insurance (2016 FIO Notice).⁵ The 2016 FIO Notice also indicated that FIO would use available data from the Census Bureau, statistical agents, and certain states for an initial affordability study, the 2017 FIO Affordability Study.⁶ In addition, FIO indicated that for a subsequent study in 2017 following the 2017 FIO Affordability Study, FIO would request large auto insurers (i.e., those having a statutory surplus greater than \$500 million and annually collecting more than \$500 million of premium for personal auto insurance) to voluntarily provide to the statistical agents with which the insurers typically work the following information: (i) ZIP Code-level premium data; (ii) for liability coverage at the financial responsibility limit; and (iii) for the voluntary market.⁷ Although FIO did not proceed with this voluntary data call to large auto insurers, it has continued to monitor auto insurance market developments, as noted in its recent Annual Reports.⁸ Additionally, FIO's Federal Advisory Committee on Insurance (FACI) has considered issues related to personal auto insurance.⁹

The 2017 FIO Affordability Study sought to provide quantifiable information on auto insurance affordability for Affected Persons. The data examined by FIO for the 2017 FIO Affordability Study did not include all U.S. auto insurance policies. Instead, it was based on ZIP Code-level premium data that was voluntarily provided by several U.S. states and a statistical agent.¹⁰ The 2017 FIO Affordability Study calculated and reported data based on an Affordability Index, which is the ratio of the average annual written personal auto liability

⁵ 81 FR 45,372 (July 13, 2016).

⁶ 81 FR at 45,381.

⁷ 81 FR at 45,381.

⁸ See, e.g., Federal Insurance Office, U.S. Department of the Treasury, *Annual Report on the Insurance Industry* (2020), 26-27, 31-32, 35, <https://home.treasury.gov/system/files/311/2020-FIO-Annual-Report.pdf>.

⁹ See, e.g., Federal Advisory Committee on Insurance, *Minutes of the Federal Advisory Committee on Insurance* (September 29, 2020), <https://home.treasury.gov/system/files/311/FACI-Minutes-9-20.pdf>.

¹⁰ With some state-specific exceptions, P&C insurers generally are required by state law to send premium, claims, and loss data to statistical agents, who then compile the data for state insurance departments. The states, in turn, use the reported information to ensure that insurance rates meet statutory standards and to monitor the insurance market.

premium in the voluntary market to the median household income (based on U.S. Census Bureau data) for U.S. Postal Service ZIP Codes in which Affected Persons were 50% or more of the population. The 2017 FIO Affordability Study indicated that approximately 18.6 million Americans live where auto insurance costs more than 2% of median household income.

Recent Attention on Auto Insurance

In 2020, the House Appropriations Committee recommended that FIO “examine the impact of non-driving related factors, such as a consumer’s credit history, homeownership status, census tract, marital status, professional occupation, and educational attainment, on the affordability of auto insurance premiums for traditionally underserved communities.”¹¹ President Biden also noted differences in personal auto insurance pricing in a televised Town Hall meeting on February 16, 2021.¹²

FIO’s Upcoming Analysis of Auto Insurance

Building upon its past work, FIO is issuing this RFI as part of a holistic analysis of the domestic personal auto insurance business, focusing on the following key themes:

- 1) affordability of coverage and premium pricing disparities—with particular attention to traditionally underserved communities and considering the impact of non-driving factors—including an analysis of available data and an update of FIO’s past work on auto insurance, and

¹¹ U.S. House of Representatives Committee on Appropriations, *Report together with Minority Views to Accompany H.R. 7668* (116th Congress, 2nd Session), <https://www.congress.gov/116/crpt/hrpt456/CRPT-116hrpt456.pdf>.

¹² President Joseph R. Biden, Jr., “Remarks by President Biden in a CNN Town Hall with Anderson Cooper,” (remarks, CNN Town Hall, Milwaukee, WI, February 16, 2021), <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/02/17/remarks-by-president-biden-in-a-cnn-town-hall-with-anderson-cooper/>.

- 2) market evolution and structural shifts in the conduct of business, including the effects of technology and the use of big data, as well as changes related to the COVID-19 pandemic.

II. Request for Comments

FIO invites comments on the following questions:

Data Analysis:

1. Please provide your views on FIO updating its 2017 FIO Affordability Study. How could the 2017 FIO Affordability Study methodology and reporting be improved? What time period should be covered in an updated study? Should FIO update the study on a periodic basis, and if so, how frequently?
2. What data should FIO use to update the 2017 FIO Affordability Study? For example, should FIO proceed with the proposed data collection outlined in the 2016 FIO Notice (i.e., a request for voluntary production of ZIP Code-level premium data limited to large insurers that have a statutory surplus greater than \$500 million and that annually collect more than \$500 million of premium for personal auto insurance)? Why or why not? What alternate criteria, if any, would you propose if FIO administers a data collection?
3. Some recent auto insurance affordability analyses have leveraged rating databases to study how quoted policy pricing varies based on demographic and geographic inputs. Should FIO consider an analysis of affordability using premium quotations? Why or why not? If yes, what data sources are available?

4. Are there other quantitative approaches that FIO could take to effectively study auto insurance affordability? If yes, what are the approaches and their corresponding, available data sources?

Non-Driving Related Factors in Personal Auto Insurance Underwriting and Pricing:

5. What should be the role of non-driving related factors (such as a consumer credit history, homeownership status, census tract, marital status, professional occupation, and educational attainment) in personal auto insurance underwriting and pricing?
6. How should FIO assess the use of such non-driving related factors? What principles should be used to distinguish between appropriate and inappropriate use of non-driving related factors in personal auto insurance underwriting and pricing? What metrics could FIO use to assess the impact of non-driving related factors on the affordability and accessibility of auto insurance? What data sources are available to help assess these factors?

Structural Market Changes in Personal Auto Insurance:

7. What drivers of change (e.g., specific technology advances, consumer preferences, the entrance of auto manufacturers in underwriting and issuing insurance policies, etc.) are currently having, or likely to have, significant effects on the structure of the personal auto insurance business? Please describe these likely impacts and why they are occurring.
8. What responses to the COVID-19 pandemic—whether by consumers, the insurance industry, or insurance regulators—have the greatest likelihood of leading to long-term structural change in auto insurance? How can FIO evaluate the potential long-term or permanent effects of the pandemic on the personal auto insurance business?

9. What are the biggest challenges and opportunities for the personal auto insurance business resulting from current and anticipated structural changes? How are ongoing structural changes affecting underwriting and pricing practices?
10. Please describe how big data is being used in the personal auto insurance business. What are the benefits and risks to both consumers and insurers in the use of big data, particularly as it relates to auto insurance underwriting and pricing?
11. Please provide your views on how FIO can quantify structural changes to the personal auto insurance market and their potential effects.

General:

12. Please provide any additional comments or information on other issues or topics that may be relevant to FIO's work on personal auto insurance, the 2017 FIO Affordability Study, or other related matters.

Steven Seitz,
Director, Federal Insurance Office.